

Domestic Policy Subcommittee Chairman Dennis Kucinich (D-OH) today released a memo from the Subcommittee's majority staff outlining Treasury's failure to oversee the use of TARP funds by participating banks. The Subcommittee released the memo in advance of a hearing on Wednesday investigating Treasury's attempts to prevent waste and abuse in the TARP program, specifically the Capital Purchase Program (CPP) — the largest of the five TARP programs.

Section 1 of the memo outlines Congressional intent behind the establishment of TARP and the organization of the program.

Section 2 quotes banking CEO's before another Congressional hearing on how TARP funds are being used. By contrast, section 2A identifies three questionable transactions, each more than one billion dollars, by three of the largest TARP recipients.

Section 3 analyzes Treasury's oversight of the TARP program. Key facts include: Treasury is obligated to prevent waste and abuse, currently only the twenty largest recipients of CPP funds are required to file reports of any type with TARP overseers, 297 financial institutions do not file any report.

Section 3A evaluates the effectiveness of TARP's oversight. The memo concludes by saying "Treasury has broad contractual authority to scour company books in search of, among other things, waste and abuse by TARP recipients. But in practice, Treasury is not doing so. In its current form, the Capital Purchase Program of TARP leaves recipient companies free to use federal funds as they would any other source of income, under the presumption that they use sound business judgment."

UPDATE:

A previous version of this memo contained an error, misattributing a Goldman Sachs stock repurchase to a date succeeding the company's receipt of TARP monies. While the company did declare the repurchase of 10.5 million shares for a total of \$2 billion in its Form 8-K filing of December 16, 2008, the repurchases occurred at earlier periods of the year, before the

company received TARP funds. The company's Form 8-K filing of March 18, 2008 refers to a 7.9 million share transaction, and their Form 8-K of June 17, 2008 refers to a 1.2 million transaction.

The full text of the memo is available below:

Documents and Links

- [Memo on TARP Oversight](#)